

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-94-3
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ORDER ALLOWING INCENTIVE GAS SUPPLY PROCUREMENT PLAN AWARD

(Issued April 29, 2003)

On February 28, 2003, MidAmerican Energy Company (MidAmerican) filed its six-month report of the results of the Incentive Gas Supply Procurement Plan (IGSPP) with the Utilities Board (Board). The filing was identified as Docket No. RPU-94-3. The six-month period is May 2002 through October 2002. Depending upon the results, MidAmerican can earn a reward, which would be reflected in the May 2003 through October 2003 purchased gas adjustment factor.

On March 26, 2003, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a conditional objection to MidAmerican's IGSPP filing. On April 17, 2003, Consumer Advocate filed a withdrawal of the objection.

The IGSPP was originally approved by a "Final Decision and Order" issued on May 19, 1995, and an "Order Granting Rehearing In Part And Denying Rehearing In Part" issued June 30, 1995. The plan as originally approved consisted of four primary components in which actual gas supply costs were measured against

market-based benchmarks. The components are (1) natural gas commodity costs, (2) pipeline reservation costs, (3) storage injection costs, and (4) transportation costs.

On May 28, 1999, the IGSP was extended for a two-year period based upon a settlement between MidAmerican and Consumer Advocate. The settlement retained the mechanics of the plan, but changed the calculations of savings. An amendment to the settlement was approved by the Board on February 17, 2000. The settlement, as amended, changed the reference price in the commodity costs component to recognize that MidAmerican was required to pay reservation costs for firm supply to ensure reliability. For the pipeline reservation costs, the reference price was changed from the Federal Energy Regulatory Commission (FERC) authorized maximum rates to reasonably comparable contracts in terms of pipeline company, receipt points, and service for the previous year. No changes were made in the agreement to the storage injection costs component and the transportation costs component. On July 12, 2000, the Board extended the plan until October 2002, and on July 17, 2002, the Board extended the plan to October 2003.

The plan is designed to share savings between MidAmerican's shareholders and ratepayers. To continue to earn savings, MidAmerican must keep negotiating more favorable discounted contracts. Thus, the plan operates as a true incentive for MidAmerican to continually improve its purchasing methods and practices. The results filed by MidAmerican on February 28, 2003, show that costs were below the benchmark. Based upon these results, MidAmerican is entitled to an award, which

will be reflected as an IGSP factor. The Board finds that the IGSP factor should be added to the May 2003 through October 2003 purchased gas adjustment filings made by MidAmerican.

IT IS THEREFORE ORDERED:

MidAmerican Energy Company is allowed to add the IGSP factor from its February 28, 2003, filing to its purchased gas adjustment filings for May 2003 through October 2003.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 29th day of April, 2003.